

# **VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Meeting of the Board of Trustees

**June 24, 2008**

## **Board members present:**

STEVEN JEFFREY, Chairperson, Employee Representative (term expiring July 1, 2010)  
DAVID LEWIS, Vice-Chairperson, Employer Representative (term expiring July 1, 2009)  
W. JOHN MITCHELL, II, Employee Representative (term expiring July 1, 2008)  
JEB SPAULDING, Vermont State Treasurer  
STEPHEN RAUH, Governor's Appointee

## **Board members absent:**

None

## **Also attending:**

Cynthia Webster, Retirement Director of Policy and Outreach  
Beth Pearce, Deputy Treasurer  
Peter Amons, Trustee Elect  
Donna Watts, VT-NEA  
Eleanor Gerrow  
Donna Holden, Board Coordinator

The Chairperson, Steve Jeffrey, called the Tuesday, June 24, 2008, meeting to order at 9:05 a.m., which was held in the Treasurer's Conference Room, 109 State Street, Montpelier, VT.

## **ITEM 1:      Approve the minutes of: January 9, 2008 and May 29, 2008**

**On a motion by Mr. Rauh seconded by Mr. Mitchell, the Board unanimously voted to approve the minutes of January 9, 2008, and May 29, 2008, as submitted.**

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board unanimously voted to reconsider the previous motion to approve the minutes of January 9, 2008 and May 29, 2008.**

**On a motion by Mr. Spaulding seconded by Mr. Mitchell, the Board unanimously voted to amend the minutes of May 29, 2008, as discussed.**

**The Board unanimously voted to approve the original motion as amended.**

## **ITEM 2:      Board Member Election Results**

Mrs. Webster advised the Board four members ran for Mr. Mitchell's seat; with a total of 9484 ballots mailed resulting in the election of Peter Amons to serve in the three-year seat.

Mr. Amons was welcomed to the Board.

## **ITEM 3:      Ratify Disability Retirements for: Donna Louiselle and Pamela Snow**

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board unanimously voted to approve the disability retirement for Donna Louiselle, and Pamela Snow, as recommended by the Medical Review Board.**

**ITEM 4:      Discuss/Act on Disability 90-day Filing Deadline Waiver Request for:**

- Eleanor Gerrow

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board unanimously voted to approve the disability retirement 90-day filing deadline waiver request for Eleanor Gerrow, as discussed.**

- Terrance Hakey

**On a motion by Mr. Mitchell seconded by Mr. Rauh, the Board unanimously voted to approve the disability retirement 90-day filing deadline waiver request for Terrance Haky, as discussed.**

**ITEM 5:      Discuss/Act on Southern Windsor County Regional Planning Commission Request – 8 new members to join Group B, effective July 1, 2008**

**ITEM 6:      Discuss/Act on Winooski Valley Park District Request – 1 new member to join Group B, effective July 1, 2008**

**On a motion by Mr. Spaulding seconded by Mr. Mitchell, the Board unanimously voted to approve the membership of the Southern Windsor County Regional Planning Commission into Group B effective July 1, 2008, as requested, and the membership of the Winooski Valley Park District into Group B effective July 1, 2008, as requested.**

**ITEM 7:      Discuss/Act on RHS Policy Amendment and FY '09 Health Savings Allocation**

Mrs. Webster provided a brief overview of the events leading up to the creation of the VMERS RHS Plan for the benefit of the new Trustee elect, Peter Amons.

Ms. Pearce explained the VMERS RHS Plan was currently the only plan of its type in the US, which aside from being innovative, was in the unenviable position of plowing new territory. She expressed appreciation for the Board's patience and flexibility with staff and vendors while working through matters such as IRS compliant issues.

She said that based on IRS regulations, when dealing with a retirement trust fund, once employer/employee funds are deposited to the trust fund, the funds cannot be used for any purpose other than paying beneficiaries the retirement benefits of the Plan. She said, in previous decisions, and based on information as understood at that time, the Board agreed that a sub-account within the trust fund would be established to receive the directed employer contributions for the purpose of funding the RHS accounts. However, she advised the Board that pursuant to a clearer understanding of IRS Rules, the RHS fund would be entitled to interest earnings (and perhaps related administrative expenses) and as a sub-account must be subordinate to the retirement trust fund, with not more than 25% of the total employer contributions directed to that account.

Ms. Pearce suggested an alternative method of funding the RHS trust account to avoid the subordinate 25% rule. Rather than using the sub-account method, pass all employer/employee contributions through a single clearing account with deposits separated and directed to the separate retirement and RHS accounts, before they get into the retirement trust fund. Ms. Pearce further advised that with the Board's action for approval within the same fiscal year, the accounting and proper administration for the current FY could be accomplished.

Ms. Pearce also advised the Board that based on the State's accrual accounting method, the anticipated deposit of the \$3.5 million in employer funds for the remaining FY '08 distribution was expected to be

available by the end of July rather than the first of July, and funds for the \$4 million FY '09 distribution were expected to be available by the end of February rather than the beginning of January.

The Board briefly discussed the administrative expenses for the RHS account, i.e. postage for member mailings, staff time for informational meetings and accounting, etc., which could be paid from the interest earnings.

Ms. Pearce agreed to prepare a DRAFT report of anticipated expenses and recommendation for the next meeting.

Ms. Pearce also discussed the upcoming opportunity in FY '09 to participate in an IRS determination process, which includes a voluntary disclosure process and is being offered and recommended to all governmental retirement plans. She said a fee of \$25K per system would be payable, but the disclosure and subsequent determination would absolve the Plan of any future potential fines for violations, or in the worst case disqualification of its qualified plan status.

Mr. Spaulding also advised the Board he was working with the AG's Office and discussing the need to obtain the services of an IRS knowledgeable attorney or firm to work with the systems in preparation of the review/determination process.

**On a motion by Mr. Lewis seconded by Mr. Mitchell the Board unanimously voted to reconsider the motion of January 9, 2008 (Item 4).**

**On a motion by Mr. Lewis seconded by Mr. Mitchell the Board unanimously voted to amend the 1/9/08 (item 4) motion to direct the remainder of the FY '08 employer contributions and up to \$4 million of the FY '09 employer contributions into a designated account for the purpose of allocation to the health saving accounts, and for a distribution of \$3.5 million be made into the RHS accounts on or immediately after 8/1/08, and a distribution of \$4 million be made into the RHS accounts on or immediately after 2/1/09, and for the distribution of the funds to be made using the same formula and methods as the original distributions with updated 6/30/07 data.**

**ITEM 8:        Discuss/Act on Act 50 (VPIC) Report**

It was the Board's determination that their action on this matter was moot in light of the past legislative session's actions.

Mrs. Webster advised the Board informational meetings would be held throughout the state in the early fall, a communication letter would be sent to existing members regarding their August deposits, and new RHS member packets would be distributed to newly eligible members. The Board asked to see the communication before it was sent.

The Board also acknowledged receipt of the letter of appreciation received from RHS member, Ruth Morgan.

**ITEM 9:        Departing Board Member – Jack Mitchell - Recognition**

In recognition of Mr. Mitchell's 27 years of service, Mr. Jeffrey presented Mr. Mitchell with a Certificate of Accomplishment and Appreciation, a Senate Resolution honoring W. John Mitchell as an extraordinary public servant and VMERS trustee, and a granite clock.

Along with other Board members and staff, Mr. Jeffrey thanked Mr. Mitchell for his service, and with regret for his having to leave the Board, he was offered everyone's best wishes for a long, healthy, happy retirement.

Mr. Mitchell and Board members reflected on the Board's historical activities, members, and unified goal to always act in the best interest and service of the members of the system.

**ITEM 10:      Adjournment**

**On a motion by Mr. Spaulding seconded by Mr. Mitchell the Board unanimously voted to adjourn at 11:31 p.m.**

Respectfully submitted,

Donna Holden, Board Coordinator  
for Cynthia Webster, Secretary to the Board